

Fee Equalization and Appropriate Health Care*

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Abstract

Fee equalization in health care brings under a unique tariff several medical treatments, coded under different Diagnosis Related Groups (DRGs). The aim is to improve healthcare quality and efficiency by discouraging unnecessary, but better-paid, treatments. We evaluate its effectiveness on childbirth procedures to reduce overuse of c-sections by equalizing the DRGs for vaginal and cesarean deliveries. Using data from Italy and a difference-in-differences approach, we show that setting an equal fee decreased c-sections by 2.5%. This improved the appropriateness of medical decisions, with more low-risk mothers delivering naturally and no significant changes in the incidence of complications for vaginal deliveries. Our analysis supports the effectiveness of fee equalization in avoiding c-sections, but highlights the marginal role of financial incentives in driving c-section overuse. The observed drop was only temporary and in about a year the use of C-section went back to the initial level. We found a greater reduction in lower quality, more capacity-constrained hospitals. Moreover, the effect is driven by districts where the availability of Ob-Gyn specialists is higher and where women are predominant in the gender composition of Ob-Gyn specialists.

JEL Classification: K13; K32; I13

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